

AMENDED IN ASSEMBLY MAY 1, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1447

Introduced by Assembly Member Feuer

January 4, 2012

An act to amend Section ~~2982~~ 2981 of, and to add Sections ~~2981.6~~ 1795.51 and 2983.35 to, the Civil Code, relating to automobile sales.

LEGISLATIVE COUNSEL'S DIGEST

AB 1447, as amended, Feuer. Automobile sales finance: sellers.

The Rees-Levering Motor Vehicle Sales and Finance Act regulates conditional sales contracts for motor vehicles, and, among other things, requires a person selling or leasing a motor vehicle under a conditional sale contract to disclose certain information to the buyer of the vehicle. A willful violation of those provisions is a misdemeanor and may render the contract unenforceable. A seller who violates the provisions of the act may also be liable to the buyer for monetary damages.

This bill would *require a buy-here-pay-here dealer, as defined, to issue a 30-day or 1,000-mile warranty to the buyer or lessee of a used vehicle bought at retail price, and would require the warranty to cover the engine, transmission, drive axle, brakes, radiator, steering, alternator, generator, starter, and ignition system. The bill would require the buy-here-pay-here dealer to either repair those covered parts that fail or to reimburse the buyer or lessee, as specified, and would permit the warranty language to exclude coverage under certain conditions. The bill would void an agreement for the purchase or lease of a vehicle that waives, limits, or disclaims these requirements. The bill would provide that a warranty is deemed to have been issued if a buy-here-pay-here dealer fails to issue a warranty pursuant to these*

*provisions. The bill would prohibit a ~~seller under the act~~ buy-here-pay-here dealer from requiring, as part of a contract, the buyer to make payments in person, with the exception of the downpayment for the vehicle. ~~Additionally, this bill would require a seller to display the vehicle's sale price on the vehicle. This bill would also prohibit a seller from calling a buyer's references after the sale of the vehicle,~~ and, would prohibit ~~a seller~~ the buy-here-pay-here dealer from, after the sale of the vehicle, tracking the vehicle using Global Positioning System technology and from disabling the vehicle with ignition override technology, *except as specified*, and would make a violation of these prohibitions a misdemeanor. By expanding the definition of a crime, this bill would impose a state-mandated local program. The bill would also make findings and declarations related to buy-here-pay-here dealers.*

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. *The Legislature finds and declares all of the*
- 2 *following:*
- 3 (a) *A growing number of Californians need cars to get to work*
- 4 *but cannot qualify for conventional automobile loans.*
- 5 (b) *Some used car dealers, known as buy-here-pay-here, operate*
- 6 *a business model under which they stock and sell older,*
- 7 *high-mileage vehicles to consumers that cannot otherwise qualify*
- 8 *for conventional automobile loans. Unlike traditional new and*
- 9 *used car dealers, buy-here-pay-here dealers do not assign sales*
- 10 *and lease contracts they generate to third-party finance or lease*
- 11 *sources. Because buy-here-pay-here dealers maintain and*
- 12 *administer their own sales and lease contract portfolios, they do*
- 13 *not have to comply with underwriting and loan policies set by*
- 14 *traditional lenders and are free to set financial terms that are*
- 15 *significantly higher than conventional automobile loans or leases.*

1 (c) Consumers who have little or no alternative other than to
2 buy or lease a used vehicle from a buy-here-pay-here dealer are
3 vulnerable to unfair or deceptive practices by buy-here-pay-here
4 dealers.

5 (d) It is the intent of the Legislature in enacting this act to curb
6 unfair and deceptive practices by buy-here-pay-here dealers and
7 to protect the consuming public.

8 SEC. 2. Section 1795.51 is added to the Civil Code, to read:

9 1795.51. (a) No buy-here-pay-here dealer, as that term is
10 defined in subdivision (s) of Section 2981, shall sell or lease a used
11 vehicle, as defined in Section 665 of the Vehicle Code, at retail
12 price without giving the buyer or lessee a written warranty which
13 shall at minimum have a duration of at least 30 days from the date
14 of the contract or when the odometer has registered 1,000 miles
15 from that shown on the contract, whichever occurs first.

16 (b) The written warranty shall require the buy-here-pay-here
17 dealer or its agent to repair or, at the election of the
18 buy-here-pay-here dealer, reimburse the retail buyer or lessee for
19 the reasonable cost of repairing, the failure of a covered part.
20 Covered parts shall at least include the following items:

21 (1) Engine. All lubricated parts, water pump, fuel pump,
22 manifolds, engine block, cylinder head, rotary engine housings,
23 flywheel, and electronic components.

24 (2) Transmission. The transmission case, internal parts, the
25 torque converter, and electronic components.

26 (3) Drive axle. Front and rear drive axle housings and internal
27 parts, axle shafts, propeller shafts, universal joints, and electronic
28 components.

29 (4) Brakes. Master cylinder, vacuum assist booster, wheel
30 cylinders, hydraulic lines and fittings, disc brake calipers, and
31 electronic components.

32 (5) Radiator.

33 (6) Steering. The steering gear housing and all internal parts,
34 power steering pump, valve body, piston, rack, and electronic
35 components.

36 (7) The alternator, generator, starter, and ignition system,
37 excluding the battery.

38 (c) The buy-here-pay-here dealer shall make the repair or
39 reimbursement notwithstanding the fact that the warranty period
40 has expired, provided that the retail buyer or lessee notified the

1 *buy-here-pay-here dealer of the failure of a covered part within*
2 *the specified warranty period.*

3 *(d) The written warranty may contain additional language*
4 *excluding coverage of any of the following:*

5 *(1) For a failure of a covered part caused by a lack of customary*
6 *maintenance after the vehicle was delivered to the buyer or lessee.*

7 *(2) For a failure of a covered part caused by collision, abuse,*
8 *negligence, theft, vandalism, fire, or other casualty and damage*
9 *from the environment (windstorm, lightning, road hazards, etc.)*
10 *that occurred after the vehicle was delivered to the buyer or lessee.*

11 *(3) If the odometer has been stopped or altered after the vehicle*
12 *was delivered to the buyer or lessee and the vehicle's actual*
13 *mileage cannot be readily determined, or if any covered part failed*
14 *due to an alteration of that part after the vehicle was delivered to*
15 *the buyer or lessee.*

16 *(4) For maintenance services and the parts used in connection*
17 *with those services, such as seals, gaskets, oil, or grease, unless*
18 *required in connection with the repair of a covered part.*

19 *(5) For a motor tune-up.*

20 *(6) For a failure resulting from racing or other competition*
21 *after the vehicle was delivered to the buyer or lessee.*

22 *(7) For a failure caused by towing a trailer or another vehicle*
23 *after the vehicle was delivered to the buyer or lessee, unless the*
24 *used vehicle is equipped for towing as recommended by the*
25 *manufacturer.*

26 *(8) If the used vehicle is used to carry passengers for hire.*

27 *(9) If the used vehicle is rented to someone other than the retail*
28 *buyer or lessee.*

29 *(10) For repair of valves, rings, or both to correct low*
30 *compression, oil consumption, or both, which is considered normal*
31 *wear.*

32 *(11) For property damage arising or allegedly arising out of*
33 *the failure of a covered part.*

34 *(12) For loss of the use of the used vehicle, loss of time,*
35 *inconvenience, commercial loss, or consequential damages, except*
36 *for reasonable towing expenses.*

37 *(e) If the retail buyer or lessee notifies the buy-here-pay-here*
38 *dealer within the specified warranty period that the vehicle does*
39 *not conform to the written warranties, and the nonconformity is*
40 *not otherwise excluded from coverage, the buy-here-pay-here*

1 *dealer shall either repair the vehicle to conform to the written*
2 *warranties or cancel the sale or lease contract. In the event that*
3 *the buy-here-pay-here dealer cancels the sale or lease contract,*
4 *all of the following shall apply:*

5 *(1) The buy-here-pay-here dealer shall give written notice to*
6 *the buyer or lessee of the election to cancel. Notice may be given*
7 *by personal delivery or by first-class mail.*

8 *(2) The buyer or lessee shall return the vehicle in the same*
9 *condition as when it was delivered by the buy-here-pay-here dealer,*
10 *reasonable wear and tear and any nonconformity with the written*
11 *warranties excepted.*

12 *(3) The buyer or lessee shall return to the buy-here-pay-here*
13 *dealer documents related to the sale that are necessary in order*
14 *to transfer ownership, including vehicle title and registration*
15 *documents.*

16 *(4) The buy-here-pay-here dealer shall refund to the buyer or*
17 *lessee, no later than the day after the day on which the buyer or*
18 *lessee returns the vehicle, all amounts paid under the sale or lease*
19 *contract, less a reasonable amount for damage sustained by the*
20 *vehicle after the sale or lease, excepting damage caused by a*
21 *nonconformity with the written warranty.*

22 *(f) In any proceeding in which the exclusion of coverage*
23 *permitted in subdivision (d) or the deduction allowed in paragraph*
24 *(4) of subdivision (e) is an issue, the buy-here-pay-here dealer*
25 *shall have the burden of proof.*

26 *(g) Any agreement entered into by a buyer for the purchase or*
27 *lease of a used motor vehicle that waives, limits, or disclaims the*
28 *rights set forth in this section shall be void as contrary to public*
29 *policy.*

30 *(h) If a buy-here-pay-here dealer fails to give the written*
31 *warranty required by this section, the buy-here-pay-here dealer*
32 *shall be deemed to have issued the warranty as a matter of law.*

33 *SEC. 3. Section 2981 of the Civil Code is amended to read:*

34 *2981. As used in this chapter, unless the context otherwise*
35 *requires:*

36 *(a) "Conditional sale contract" means:*

37 *(1) A contract for the sale of a motor vehicle between a buyer*
38 *and a seller, with or without accessories, under which possession*
39 *is delivered to the buyer and either of the following:*

1 (A) The title vests in the buyer thereafter only upon the payment
2 of all or a part of the price, or the performance of any other
3 condition.

4 (B) A lien on the property is to vest in the seller as security for
5 the payment of part or all of the price, or for the performance of
6 any other condition.

7 (2) A contract for the bailment of a motor vehicle between a
8 buyer and a seller, with or without accessories, by which the bailee
9 or lessee agrees to pay as compensation for use a sum substantially
10 equivalent to or in excess of the aggregate value of the vehicle and
11 its accessories, if any, at the time the contract is executed, and by
12 which it is agreed that the bailee or lessee will become, or for no
13 other or for a nominal consideration has the option of becoming,
14 the owner of the vehicle upon full compliance with the terms of
15 the contract.

16 (b) “Seller” means a person engaged in the business of selling
17 or leasing motor vehicles under conditional sale contracts.

18 (c) “Buyer” means the person who buys or hires a motor vehicle
19 under a conditional sale contract.

20 (d) “Person” includes an individual, company, firm, association,
21 partnership, trust, corporation, limited liability company, or other
22 legal entity.

23 (e) “Cash price” means the amount for which the seller would
24 sell and transfer to the buyer unqualified title to the motor vehicle
25 described in the conditional sale contract, if the property were sold
26 for cash at the seller’s place of business on the date the contract
27 is executed, and shall include taxes to the extent imposed on the
28 cash sale and the cash price of accessories or services related to
29 the sale, including, but not limited to, delivery, installation,
30 alterations, modifications, improvements, document preparation
31 fees, a service contract, a vehicle contract cancellation option
32 agreement, and payment of a prior credit or lease balance remaining
33 on property being traded in.

34 (f) “Downpayment” means a payment that the buyer pays or
35 agrees to pay to the seller in cash or property value or money’s
36 worth at or prior to delivery by the seller to the buyer of the motor
37 vehicle described in the conditional sale contract. The term shall
38 also include the amount of any portion of the downpayment the
39 payment of which is deferred until not later than the due date of
40 the second otherwise scheduled payment, if the amount of the

1 deferred downpayment is not subject to a finance charge. The term
2 does not include any administrative finance charge charged,
3 received or collected by the seller as provided in this chapter.

4 (g) “Amount financed” means the amount required to be
5 disclosed pursuant to paragraph (8) of subdivision (a) of Section
6 2982.

7 (h) “Unpaid balance” means the difference between subdivision
8 (e) and subdivision (f), plus all insurance premiums (except for
9 credit life or disability insurance when the amount thereof is
10 included in the finance charge), which are included in the contract
11 balance, and the total amount paid or to be paid as follows:

12 (1) To a public officer in connection with the transaction.

13 (2) For license, certificate of title, and registration fees imposed
14 by law, and the amount of the state fee for issuance of a certificate
15 of compliance or certificate of waiver pursuant to Section 9889.56
16 of the Business and Professions Code.

17 (i) “Finance charge” has the meaning set forth for that term in
18 Section 226.4 of Regulation Z. The term shall not include
19 delinquency charges or collection costs and fees as provided by
20 subdivision (k) of Section 2982, extension or deferral agreement
21 charges as provided by Section 2982.3, or amounts for insurance,
22 repairs to or preservation of the motor vehicle, or preservation of
23 the security interest therein advanced by the holder under the terms
24 of the contract.

25 (j) “Total of payments” means the amount required to be
26 disclosed pursuant to subdivision (h) of Section 226.18 of
27 Regulation Z. The term includes any portion of the downpayment
28 that is deferred until not later than the second otherwise scheduled
29 payment and that is not subject to a finance charge. The term shall
30 not include amounts for which the buyer may later become
31 obligated under the terms of the contract in connection with
32 insurance, repairs to or preservation of the motor vehicle,
33 preservation of the security interest therein, or otherwise.

34 (k) “Motor vehicle” means a vehicle required to be registered
35 under the Vehicle Code that is bought for use primarily for personal
36 or family purposes, and does not mean any vehicle that is bought
37 for use primarily for business or commercial purposes or a
38 mobilehome, as defined in Section 18008 of the Health and Safety
39 Code that is sold on or after July 1, 1981. “Motor vehicle” does

1 not include any trailer that is sold in conjunction with a vessel and
2 that comes within the definition of “goods” under Section 1802.1.

3 (l) “Purchase order” means a sales order, car reservation,
4 statement of transaction or any other such instrument used in the
5 conditional sale of a motor vehicle pending execution of a
6 conditional sale contract. The purchase order shall conform to the
7 disclosure requirements of subdivision (a) of Section 2982 and
8 Section 2984.1, and subdivision (m) of Section 2982 shall apply.

9 (m) “Regulation Z” means a rule, regulation or interpretation
10 promulgated by the Board of Governors of the Federal Reserve
11 System (“Board”) under the federal Truth in Lending Act, as
12 amended (15 U.S.C. 1601, et seq.), and an interpretation or
13 approval issued by an official or employee of the Federal Reserve
14 System duly authorized by the board under the Truth in Lending
15 Act, as amended, to issue the interpretations or approvals.

16 (n) “Simple-interest basis” means the determination of a finance
17 charge, other than an administrative finance charge, by applying
18 a constant rate to the unpaid balance as it changes from time to
19 time either:

20 (1) Calculated on the basis of a 365-day year and actual days
21 elapsed (although the seller may, but need not, adjust its
22 calculations to account for leap years); reference in this chapter to
23 the “365-day basis” shall mean this method of determining the
24 finance charge, or

25 (2) For contracts entered into prior to January 1, 1988, calculated
26 on the basis of a 360-day year consisting of 12 months of 30 days
27 each and on the assumption that all payments will be received by
28 the seller on their respective due dates; reference in this chapter
29 to the “360-day basis” shall mean this method of determining the
30 finance charge.

31 (o) “Precomputed basis” means the determination of a finance
32 charge by multiplying the original unpaid balance of the contract
33 by a rate and multiplying that product by the number of payment
34 periods elapsing between the date of the contract and the date of
35 the last scheduled payment.

36 (p) “Service contract” means “vehicle service contract” as
37 defined in subdivision (c) of Section 12800 of the Insurance Code.

38 (q) “Surface protection product” means the following products
39 installed by the seller after the motor vehicle is sold:

40 (1) Undercoating.

1 (2) Rustproofing.

2 (3) Chemical or film paint sealant or protectant.

3 (4) Chemical sealant or stain inhibitor for carpet and fabric.

4 (r) "Theft deterrent device" means the following devices
5 installed by the seller after the motor vehicle is sold:

6 (1) A vehicle alarm system.

7 (2) A window etch product.

8 (3) A body part marking product.

9 (4) A steering lock.

10 (5) A pedal or ignition lock.

11 (6) A fuel or ignition kill switch.

12 (s) "*Buy-here-pay-here dealer*" means a seller who does both
13 of the following:

14 (1) *Enters into conditional sales contracts, within the meaning*
15 *of subdivision (a), or lease contracts, within the meaning of Section*
16 *2985.7.*

17 (2) *Does not routinely assign the contracts described in*
18 *subdivision (a) to an unaffiliated third-party finance or leasing*
19 *source.*

20 SEC. 4. Section 2983.35 is added to the Civil Code, to read:

21 2983.35. (a) *After a sale of a vehicle under this chapter, a*
22 *buy-here-pay-here dealer shall not do any of the following:*

23 (1) *Track the vehicle with electronic tracking technology, unless*
24 *the buyer's consent, as required under subdivision (b) of Section*
25 *637.7 of the Penal Code, is obtained in writing.*

26 (2) *Disable the vehicle by using ignition override technology,*
27 *unless the buy-here-pay-here dealer complies with both of the*
28 *following provisions:*

29 (A) *Notifies the buyer in writing at the time of the sale that the*
30 *vehicle is equipped with ignition override technology, which the*
31 *buy-here-pay-here dealer can use to shut down the vehicle*
32 *remotely.*

33 (B) *The ignition override technology on the vehicle provides a*
34 *warning to the driver of the vehicle that the vehicle will become*
35 *inoperable. That warning shall begin no less than 120 hours before*
36 *the vehicle is disabled by the ignition override technology, and*
37 *shall be provided for a length of no less than 20 seconds every*
38 *time the vehicle is started within that 120-hour period.*

1 (b) A buy-here-pay-here dealer shall not require the buyer to
2 make payments to the seller in person. For purposes of this
3 subdivision, “payments” does not include the downpayment.

4 (c) A violation of this section is punishable pursuant to Section
5 2983.6.

6 SEC. 5. No reimbursement is required by this act pursuant to
7 Section 6 of Article XIII B of the California Constitution because
8 the only costs that may be incurred by a local agency or school
9 district will be incurred because this act creates a new crime or
10 infraction, eliminates a crime or infraction, or changes the penalty
11 for a crime or infraction, within the meaning of Section 17556 of
12 the Government Code, or changes the definition of a crime within
13 the meaning of Section 6 of Article XIII B of the California
14 Constitution.

15 ~~SECTION 1. Section 2981.6 is added to the Civil Code, to~~
16 ~~read:~~

17 ~~2981.6. Every seller subject to this chapter shall display the~~
18 ~~sales price of a vehicle on the vehicle. For purposes of this section,~~
19 ~~a seller may display a manufacturer’s suggested retail price if the~~
20 ~~vehicle is a new vehicle as defined in Section 430 of the Vehicle~~
21 ~~Code.~~

22 ~~SEC. 2. Section 2982 of the Civil Code, as amended by Section~~
23 ~~3 of Chapter 329 of the Statutes of 2011, is amended to read:~~

24 ~~2982. A conditional sale contract subject to this chapter shall~~
25 ~~contain the disclosures required by Regulation Z, whether or not~~
26 ~~Regulation Z applies to the transaction. In addition, to the extent~~
27 ~~applicable, the contract shall contain the other disclosures and~~
28 ~~notices required by, and shall satisfy the requirements and~~
29 ~~limitations of, this section. The disclosures required by subdivision~~
30 ~~(a) may be itemized or subtotaled to a greater extent than as~~
31 ~~required by that subdivision and shall be made together and in the~~
32 ~~sequence set forth in that subdivision. All other disclosures and~~
33 ~~notices may appear in the contract in any location or sequence and~~
34 ~~may be combined or interspersed with other provisions of the~~
35 ~~contract.~~

36 ~~(a) The contract shall contain the following disclosures, as~~
37 ~~applicable, which shall be labeled “itemization of the amount~~
38 ~~financed”:~~

39 ~~(1) (A) The cash price, exclusive of document preparation fees,~~
40 ~~business partnership automation fees, taxes imposed on the sale,~~

1 ~~pollution control certification fees, prior credit or lease balance on~~
2 ~~property being traded in, the amount charged for a service contract,~~
3 ~~the amount charged for a theft deterrent system, the amount charged~~
4 ~~for a surface protection product, the amount charged for an optional~~
5 ~~debt cancellation agreement, and the amount charged for a contract~~
6 ~~cancellation option agreement.~~

7 ~~(B) The fee to be retained by the seller for document preparation.~~

8 ~~(C) The fee charged by the seller for certifying that the motor~~
9 ~~vehicle complies with applicable pollution control requirements.~~

10 ~~(D) A charge for a theft deterrent device.~~

11 ~~(E) A charge for a surface protection product.~~

12 ~~(F) Taxes imposed on the sale.~~

13 ~~(G) The amount of any optional business partnership automation~~
14 ~~fee to register or transfer the vehicle, which shall be labeled~~
15 ~~“Optional DMV Electronic Filing Fee.”~~

16 ~~(H) The amount charged for a service contract.~~

17 ~~(I) The prior credit or lease balance remaining on property being~~
18 ~~traded in, as required by paragraph (6). The disclosure required~~
19 ~~by this subparagraph shall be labeled “prior credit or lease balance~~
20 ~~(see downpayment and trade-in calculation).”~~

21 ~~(J) Any charge for an optional debt cancellation agreement.~~

22 ~~(K) Any charge for a used vehicle contract cancellation option~~
23 ~~agreement.~~

24 ~~(L) The total cash price, which is the sum of subparagraphs (A)~~
25 ~~to (K), inclusive.~~

26 ~~(M) The disclosures described in subparagraphs (D), (E), and~~
27 ~~(K) are not required on contracts involving the sale of a motorcycle,~~
28 ~~as defined in Section 400 of the Vehicle Code, or on contracts~~
29 ~~involving the sale of an off-highway motor vehicle that is subject~~
30 ~~to identification under Section 38010 of the Vehicle Code, and the~~
31 ~~amounts of those charges, if any, are not required to be reflected~~
32 ~~in the total price under subparagraph (L).~~

33 ~~(2) Amounts paid to public officials for the following:~~

34 ~~(A) Vehicle license fees.~~

35 ~~(B) Registration, transfer, and titling fees.~~

36 ~~(C) California tire fees imposed pursuant to Section 42885 of~~
37 ~~the Public Resources Code.~~

38 ~~(3) The aggregate amount of premiums agreed, upon execution~~
39 ~~of the contract, to be paid for policies of insurance included in the~~

1 contract, excluding the amount of any insurance premium included
2 in the finance charge.
3 ~~(4) The amount of the state fee for issuance of a certificate of~~
4 ~~compliance, noncompliance, exemption, or waiver pursuant to any~~
5 ~~applicable pollution control statute.~~
6 ~~(5) A subtotal representing the sum of the amounts described~~
7 ~~in paragraphs (1) to (4), inclusive.~~
8 ~~(6) The amount of the buyer's downpayment itemized to show~~
9 ~~the following:~~
10 ~~(A) The agreed value of the property being traded in.~~
11 ~~(B) The prior credit or lease balance, if any, owing on the~~
12 ~~property being traded in.~~
13 ~~(C) The net agreed value of the property being traded in, which~~
14 ~~is the difference between the amounts disclosed in subparagraphs~~
15 ~~(A) and (B). If the prior credit or lease balance of the property~~
16 ~~being traded in exceeds the agreed value of the property, a negative~~
17 ~~number shall be stated.~~
18 ~~(D) The amount of any portion of the downpayment to be~~
19 ~~deferred until not later than the due date of the second regularly~~
20 ~~scheduled installment under the contract and that is not subject to~~
21 ~~a finance charge.~~
22 ~~(E) The amount of any manufacturer's rebate applied or to be~~
23 ~~applied to the downpayment.~~
24 ~~(F) The remaining amount paid or to be paid by the buyer as a~~
25 ~~downpayment.~~
26 ~~(G) The total downpayment. If the sum of subparagraphs (C)~~
27 ~~to (F), inclusive, is zero or more, that sum shall be stated as the~~
28 ~~total downpayment and no amount shall be stated as the prior credit~~
29 ~~or lease balance under subparagraph (I) of paragraph (1). If the~~
30 ~~sum of subparagraphs (C) to (F), inclusive, is less than zero, then~~
31 ~~that sum, expressed as a positive number, shall be stated as the~~
32 ~~prior credit or lease balance under subparagraph (I) of paragraph~~
33 ~~(1), and zero shall be stated as the total downpayment. The~~
34 ~~disclosure required by this subparagraph shall be labeled "total~~
35 ~~downpayment" and shall contain a descriptor indicating that if the~~
36 ~~total downpayment is a negative number, a zero shall be disclosed~~
37 ~~as the total downpayment and a reference made that the remainder~~
38 ~~shall be included in the disclosure required pursuant to~~
39 ~~subparagraph (I) of paragraph (1).~~

1 ~~(7) The amount of any administrative finance charge, labeled~~
2 ~~“prepaid finance charge.”~~

3 ~~(8) The difference between the amount described in paragraph~~
4 ~~(5) and the sum of the amounts described in paragraphs (6) and~~
5 ~~(7), labeled “amount financed.”~~

6 ~~(b) No particular terminology is required to disclose the items~~
7 ~~set forth in subdivision (a) except as expressly provided in that~~
8 ~~subdivision.~~

9 ~~(c) If payment of all or a portion of the downpayment is to be~~
10 ~~deferred, the deferred payment shall be reflected in the payment~~
11 ~~schedule disclosed pursuant to Regulation Z.~~

12 ~~(d) If the downpayment includes property being traded in, the~~
13 ~~contract shall contain a brief description of that property.~~

14 ~~(e) The contract shall contain the names and addresses of all~~
15 ~~persons to whom the notice required pursuant to Section 2983.2~~
16 ~~and permitted pursuant to Sections 2983.5 and 2984 is to be sent.~~

17 ~~(f) (1) If the contract includes a finance charge determined on~~
18 ~~the precomputed basis, the contract shall identify the method of~~
19 ~~computing the unearned portion of the finance charge in the event~~
20 ~~of prepayment in full of the buyer’s obligation and contain a~~
21 ~~statement of the amount or method of computation of any charge~~
22 ~~that may be deducted from the amount of any unearned finance~~
23 ~~charge in computing the amount that will be credited to the~~
24 ~~obligation or refunded to the buyer. The method of computing the~~
25 ~~unearned portion of the finance charge shall be sufficiently~~
26 ~~identified with a reference to the actuarial method if the~~
27 ~~computation will be under that method. The method of computing~~
28 ~~the unearned portion of the finance charge shall be sufficiently~~
29 ~~identified with a reference to the Rule of 78’s, the sum of the digits,~~
30 ~~or the sum of the periodic time balances method in all other cases,~~
31 ~~and those references shall be deemed to be equivalent for disclosure~~
32 ~~purposes.~~

33 ~~(2) If the contract includes a finance charge that is determined~~
34 ~~on the simple-interest basis but provides for a minimum finance~~
35 ~~charge in the event of prepayment in full, the contract shall contain~~
36 ~~a statement of that fact and the amount of the minimum finance~~
37 ~~charge or its method of calculation.~~

38 ~~(g) (1) If the contract includes a finance charge that is~~
39 ~~determined on the precomputed basis and provides that the~~
40 ~~unearned portion of the finance charge to be refunded upon full~~

1 prepayment of the contract is to be determined by a method other
2 than actuarial, the contract shall contain a notice, in at least
3 10-point boldface type if the contract is printed, reading as
4 follows: “Notice to buyer: (1) Do not sign this agreement before
5 you read it or if it contains any blank spaces to be filled in. (2)
6 You are entitled to a completely filled-in copy of this agreement.
7 (3) You can prepay the full amount due under this agreement at
8 any time and obtain a partial refund of the finance charge if it is
9 \$1 or more. Because of the way the amount of this refund will be
10 figured, the time when you prepay could increase the ultimate cost
11 of credit under this agreement. (4) If you default in the performance
12 of your obligations under this agreement, the vehicle may be
13 repossessed and you may be subject to suit and liability for the
14 unpaid indebtedness evidenced by this agreement.”

15 (2) If the contract includes a finance charge that is determined
16 on the precomputed basis and provides for the actuarial method
17 for computing the unearned portion of the finance charge upon
18 prepayment in full, the contract shall contain a notice, in at least
19 10-point boldface type if the contract is printed, reading as
20 follows: “Notice to buyer: (1) Do not sign this agreement before
21 you read it or if it contains any blank spaces to be filled in. (2)
22 You are entitled to a completely filled-in copy of this agreement.
23 (3) You can prepay the full amount due under this agreement at
24 any time and obtain a partial refund of the finance charge if it is
25 \$1 or more. (4) If you default in the performance of your
26 obligations under this agreement, the vehicle may be repossessed
27 and you may be subject to suit and liability for the unpaid
28 indebtedness evidenced by this agreement.”

29 (3) If the contract includes a finance charge that is determined
30 on the simple-interest basis, the contract shall contain a notice, in
31 at least 10-point boldface type if the contract is printed, reading
32 as follows: “Notice to buyer: (1) Do not sign this agreement
33 before you read it or if it contains any blank spaces to be filled in.
34 (2) You are entitled to a completely filled-in copy of this
35 agreement. (3) You can prepay the full amount due under this
36 agreement at any time. (4) If you default in the performance of
37 your obligations under this agreement, the vehicle may be
38 repossessed and you may be subject to suit and liability for the
39 unpaid indebtedness evidenced by this agreement.”

1 ~~(h) The contract shall contain a notice in at least 8-point boldface~~
2 ~~type, acknowledged by the buyer, that reads as follows:~~

3 ~~“If you have a complaint concerning this sale, you should try to~~
4 ~~resolve it with the seller.~~

5 ~~Complaints concerning unfair or deceptive practices or methods~~
6 ~~by the seller may be referred to the city attorney, the district~~
7 ~~attorney, or an investigator for the Department of Motor Vehicles,~~
8 ~~or any combination thereof.~~

9 ~~After this contract is signed, the seller may not change the~~
10 ~~financing or payment terms unless you agree in writing to the~~
11 ~~change. You do not have to agree to any change, and it is an unfair~~
12 ~~or deceptive practice for the seller to make a unilateral change.~~

13
14 _____
15
16 _____ Buyer's Signature”
17

18 ~~(i) (1) The contract shall contain an itemization of any insurance~~
19 ~~included as part of the amount financed disclosed pursuant to~~
20 ~~paragraph (3) of subdivision (a) and of any insurance included as~~
21 ~~part of the finance charge. The itemization shall identify the type~~
22 ~~of insurance coverage and the premium charged therefor, and, if~~
23 ~~the insurance expires before the date of the last scheduled~~
24 ~~installment included in the repayment schedule, the term of the~~
25 ~~insurance shall be stated.~~

26 ~~(2) If any charge for insurance, other than for credit life or~~
27 ~~disability, is included in the contract balance and disbursement of~~
28 ~~any part thereof is to be made more than one year after the date of~~
29 ~~the conditional sale contract, any finance charge on the amount to~~
30 ~~be disbursed after one year shall be computed from the month the~~
31 ~~disbursement is to be made to the due date of the last installment~~
32 ~~under the conditional sale contract.~~

33 ~~(j) (1) Except for contracts in which the finance charge or a~~
34 ~~portion of the finance charge is determined by the simple-interest~~
35 ~~basis and the amount financed disclosed pursuant to paragraph (8)~~
36 ~~of subdivision (a) is more than two thousand five hundred dollars~~
37 ~~(\$2,500), the dollar amount of the disclosed finance charge may~~
38 ~~not exceed the greater of:~~

39 ~~(A) (i) One and one-half percent on so much of the unpaid~~
40 ~~balance as does not exceed two hundred twenty-five dollars (\$225);~~

1 ~~1 1/6 percent on so much of the unpaid balance in excess of two~~
2 ~~hundred twenty-five dollars (\$225) as does not exceed nine hundred~~
3 ~~dollars (\$900) and five-sixths of 1 percent on so much of the unpaid~~
4 ~~balance in excess of nine hundred dollars (\$900) as does not exceed~~
5 ~~two thousand five hundred dollars (\$2,500).~~

6 ~~(ii) One percent of the entire unpaid balance; multiplied in either~~
7 ~~case by the number of months (computed on the basis of a full~~
8 ~~month for any fractional month period in excess of 15 days)~~
9 ~~elapsing between the date of the contract and the due date of the~~
10 ~~last installment.~~

11 ~~(B) If the finance charge is determined by the precomputed~~
12 ~~basis, twenty-five dollars (\$25).~~

13 ~~(C) If the finance charge or a portion thereof is determined by~~
14 ~~the simple-interest basis:~~

15 ~~(i) Twenty-five dollars (\$25) if the unpaid balance does not~~
16 ~~exceed one thousand dollars (\$1,000).~~

17 ~~(ii) Fifty dollars (\$50) if the unpaid balance exceeds one~~
18 ~~thousand dollars (\$1,000) but does not exceed two thousand dollars~~
19 ~~(\$2,000).~~

20 ~~(iii) Seventy-five dollars (\$75) if the unpaid balance exceeds~~
21 ~~two thousand dollars (\$2,000).~~

22 ~~(2) The holder of the contract shall not charge, collect, or receive~~
23 ~~a finance charge that exceeds the disclosed finance charge, except~~
24 ~~to the extent (A) caused by the holder's receipt of one or more~~
25 ~~payments under a contract that provides for determination of the~~
26 ~~finance charge or a portion thereof on the 365-day basis at a time~~
27 ~~or times other than as originally scheduled whether or not the~~
28 ~~parties enter into an agreement pursuant to Section 2982.3, (B)~~
29 ~~permitted by paragraph (2), (3), or (4) of subdivision (c) of Section~~
30 ~~226.17 of Regulation Z, or (C) permitted by subdivisions (a) and~~
31 ~~(c) of Section 2982.8.~~

32 ~~(3) If the finance charge or a portion thereof is determined by~~
33 ~~the simple-interest basis and the amount of the unpaid balance~~
34 ~~exceeds five thousand dollars (\$5,000), the holder of the contract~~
35 ~~may, in lieu of its right to a minimum finance charge under~~
36 ~~subparagraph (C) of paragraph (1), charge, receive, or collect on~~
37 ~~the date of the contract an administrative finance charge not to~~
38 ~~exceed seventy-five dollars (\$75), provided that the sum of the~~
39 ~~administrative finance charge and the portion of the finance charge~~
40 ~~determined by the simple-interest basis shall not exceed the~~

1 maximum total finance charge permitted by subparagraph (A) of
2 paragraph (1). Any administrative finance charge that is charged;
3 received, or collected by a holder shall be deemed a finance charge
4 earned on the date of the contract.

5 (4) If a contract provides for unequal or irregular payments, or
6 payments on other than a monthly basis, the maximum finance
7 charge shall be at the effective rate provided for in paragraph (1);
8 having due regard for the schedule of installments.

9 (k) The contract may provide that for each installment in default
10 for a period of not less than 10 days the buyer shall pay a
11 delinquency charge in an amount not to exceed in the aggregate 5
12 percent of the delinquent installment, which amount may be
13 collected only once on any installment regardless of the period
14 during which it remains in default. Payments timely received by
15 the seller under an extension or deferral agreement may not be
16 subject to a delinquency charge unless the charge is permitted by
17 Section 2982.3. The contract may provide for reasonable collection
18 costs and fees in the event of delinquency.

19 (l) Notwithstanding any provision of a contract to the contrary;
20 the buyer may pay at any time before maturity the entire
21 indebtedness evidenced by the contract without penalty. In the
22 event of prepayment in full:

23 (1) If the finance charge was determined on the precomputed
24 basis, the amount required to prepay the contract shall be the
25 outstanding contract balance as of that date, provided, however,
26 that the buyer shall be entitled to a refund credit in the amount of
27 the unearned portion of the finance charge, except as provided in
28 paragraphs (3) and (4). The amount of the unearned portion of the
29 finance charge shall be at least as great a proportion of the finance
30 charge, including any additional finance charge imposed pursuant
31 to Section 2982.8 or other additional charge imposed because the
32 contract has been extended, deferred, or refinanced, as the sum of
33 the periodic monthly time balances payable more than 15 days
34 after the date of prepayment bears to the sum of all the periodic
35 monthly time balances under the schedule of installments in the
36 contract or, if the contract has been extended, deferred, or
37 refinanced, as so extended, deferred, or refinanced. If the amount
38 of the refund credit is less than one dollar (\$1), no refund credit
39 need be made by the holder. Any refund credit may be made in

1 cash or credited to the outstanding obligations of the buyer under
2 the contract.

3 ~~(2) If the finance charge or a portion of the finance charge was~~
4 ~~determined on the simple interest basis, the amount required to~~
5 ~~prepay the contract shall be the outstanding contract balance as of~~
6 ~~that date, including any earned finance charges that are unpaid as~~
7 ~~of that date and, if applicable, the amount provided in paragraph~~
8 ~~(3), and provided further that in cases where a finance charge is~~
9 ~~determined on the 360-day basis, the payments received under the~~
10 ~~contract shall be assumed to have been received on their respective~~
11 ~~due dates regardless of the actual dates on which the payments~~
12 ~~were received.~~

13 ~~(3) If the minimum finance charge provided by subparagraph~~
14 ~~(B) or subparagraph (C) of paragraph (1) of subdivision (j), if~~
15 ~~either is applicable, is greater than the earned finance charge as of~~
16 ~~the date of prepayment, the holder shall be additionally entitled to~~
17 ~~the difference.~~

18 ~~(4) This subdivision shall not impair the right of the seller or~~
19 ~~the seller's assignee to receive delinquency charges on delinquent~~
20 ~~installments and reasonable costs and fees as provided in~~
21 ~~subdivision (k) or extension or deferral agreement charges as~~
22 ~~provided in Section 2982.3.~~

23 ~~(5) Notwithstanding any provision of a contract to the contrary,~~
24 ~~if the indebtedness created by any contract is satisfied prior to its~~
25 ~~maturity through surrender of the motor vehicle, repossession of~~
26 ~~the motor vehicle, redemption of the motor vehicle after~~
27 ~~repossession, or any judgment, the outstanding obligation of the~~
28 ~~buyer shall be determined as provided in paragraph (1) or (2).~~
29 ~~Notwithstanding, the buyer's outstanding obligation shall be~~
30 ~~computed by the holder as of the date the holder recovers the value~~
31 ~~of the motor vehicle through disposition thereof or judgment is~~
32 ~~entered or, if the holder elects to keep the motor vehicle in~~
33 ~~satisfaction of the buyer's indebtedness, as of the date the holder~~
34 ~~takes possession of the motor vehicle.~~

35 ~~(m) The contract shall not require the buyer to make payments~~
36 ~~to the seller in person. For purposes of this subdivision, "payments"~~
37 ~~does not include the downpayment.~~

38 ~~(n) Notwithstanding any other provision of this chapter to the~~
39 ~~contrary, any information required to be disclosed in a conditional~~
40 ~~sale contract under this chapter may be disclosed in any manner,~~

1 method, or terminology required or permitted under Regulation
2 Z, as in effect at the time that disclosure is made, except that
3 permitted by paragraph (2) of subdivision (e) of Section 226.18
4 of Regulation Z, if all of the requirements and limitations set forth
5 in subdivision (a) are satisfied. This chapter does not prohibit the
6 disclosure in that contract of additional information required or
7 permitted under Regulation Z, as in effect at the time that disclosure
8 is made.

9 (e) If the seller imposes a fee for document preparation, the
10 contract shall contain a disclosure that the fee is not a governmental
11 fee.

12 (p) A seller shall not impose an application fee for a transaction
13 governed by this chapter.

14 (q) The seller or holder may charge and collect a fee not to
15 exceed fifteen dollars (\$15) for the return by a depository institution
16 of a dishonored check, negotiated order of withdrawal, or share
17 draft issued in connection with the contract if the contract so
18 provides or if the contract contains a generalized statement that
19 the buyer may be liable for collection costs incurred in connection
20 with the contract.

21 (r) The contract shall disclose on its face, by printing the word
22 “new” or “used” within a box outlined in red, that is not smaller
23 than one-half inch high and one-half inch wide, whether the vehicle
24 is sold as a new vehicle, as defined in Section 430 of the Vehicle
25 Code, or as a used vehicle, as defined in Section 665 of the Vehicle
26 Code.

27 (s) The contract shall contain a notice with a heading in at least
28 12-point bold type and the text in at least 10-point bold type,
29 circumscribed by a line, immediately above the contract signature
30 line, that reads as follows:

31
32 - ——— THERE IS NO COOLING-OFF PERIOD UNLESS YOU
33 ——— OBTAIN A CONTRACT CANCELLATION OPTION.

34
35 —California law does not provide for a “cooling-off” or other cancellation
36 period for vehicle sales. Therefore, you cannot later cancel this contract
37 simply because you change your mind, decide the vehicle costs too much,
38 or wish you had acquired a different vehicle. After you sign below, you
39 may only cancel this contract with the agreement of the seller or for legal
40 cause, such as fraud.

1 ~~However, California law does require a seller to offer a 2-day contract~~
2 ~~cancellation option on used vehicles with a purchase price of less than~~
3 ~~\$40,000, subject to certain statutory conditions. This contract cancellation~~
4 ~~option requirement does not apply to the sale of a recreational vehicle, a~~
5 ~~motorcycle, or an off-highway motor vehicle subject to identification~~
6 ~~under California law. See the vehicle contract cancellation option~~
7 ~~agreement for details.~~

8
9
10 ~~(t) This section shall become inoperative on July 1, 2012, and,~~
11 ~~as of January 1, 2013, is repealed, unless a later enacted statute~~
12 ~~that is enacted before January 1, 2013, deletes or extends the dates~~
13 ~~on which it becomes inoperative and is repealed.~~

14 ~~SEC. 3. Section 2982 of the Civil Code, as added by Section~~
15 ~~4 of Chapter 329 of the Statutes of 2011, is amended to read:~~

16 ~~2982. A conditional sale contract subject to this chapter shall~~
17 ~~contain the disclosures required by Regulation Z, whether or not~~
18 ~~Regulation Z applies to the transaction. In addition, to the extent~~
19 ~~applicable, the contract shall contain the other disclosures and~~
20 ~~notices required by, and shall satisfy the requirements and~~
21 ~~limitations of, this section. The disclosures required by subdivision~~
22 ~~(a) may be itemized or subtotaled to a greater extent than as~~
23 ~~required by that subdivision and shall be made together and in the~~
24 ~~sequence set forth in that subdivision. All other disclosures and~~
25 ~~notices may appear in the contract in any location or sequence and~~
26 ~~may be combined or interspersed with other provisions of the~~
27 ~~contract.~~

28 ~~(a) The contract shall contain the following disclosures, as~~
29 ~~applicable, which shall be labeled "itemization of the amount~~
30 ~~financed":~~

31 ~~(1) (A) The cash price, exclusive of document processing~~
32 ~~charges, charges to electronically register or transfer the vehicle,~~
33 ~~taxes imposed on the sale, pollution control certification fees, prior~~
34 ~~credit or lease balance on property being traded in, the amount~~
35 ~~charged for a service contract, the amount charged for a theft~~
36 ~~deterrent system, the amount charged for a surface protection~~
37 ~~product, the amount charged for an optional debt cancellation~~
38 ~~agreement, and the amount charged for a contract cancellation~~
39 ~~option agreement.~~

1 ~~(B) The charge to be retained by the seller for document~~
2 ~~processing authorized pursuant to Section 4456.5 of the Vehicle~~
3 ~~Code.~~

4 ~~(C) The fee charged by the seller for certifying that the motor~~
5 ~~vehicle complies with applicable pollution control requirements.~~

6 ~~(D) A charge for a theft deterrent device.~~

7 ~~(E) A charge for a surface protection product.~~

8 ~~(F) Taxes imposed on the sale.~~

9 ~~(G) The charge to electronically register or transfer the vehicle~~
10 ~~authorized pursuant to Section 4456.5 of the Vehicle Code.~~

11 ~~(H) The amount charged for a service contract.~~

12 ~~(I) The prior credit or lease balance remaining on property being~~
13 ~~traded in, as required by paragraph (6). The disclosure required~~
14 ~~by this subparagraph shall be labeled "prior credit or lease balance~~
15 ~~(see downpayment and trade-in calculation)."~~

16 ~~(J) Any charge for an optional debt cancellation agreement.~~

17 ~~(K) Any charge for a used vehicle contract cancellation option~~
18 ~~agreement.~~

19 ~~(L) The total cash price, which is the sum of subparagraphs (A)~~
20 ~~to (K), inclusive.~~

21 ~~(M) The disclosures described in subparagraphs (D), (E), and~~
22 ~~(K) are not required on contracts involving the sale of a motorcycle,~~
23 ~~as defined in Section 400 of the Vehicle Code, or on contracts~~
24 ~~involving the sale of an off-highway motor vehicle that is subject~~
25 ~~to identification under Section 38010 of the Vehicle Code, and the~~
26 ~~amounts of those charges, if any, are not required to be reflected~~
27 ~~in the total price under subparagraph (L).~~

28 ~~(2) Amounts paid to public officials for the following:~~

29 ~~(A) Vehicle license fees.~~

30 ~~(B) Registration, transfer, and titling fees.~~

31 ~~(C) California tire fees imposed pursuant to Section 42885 of~~
32 ~~the Public Resources Code.~~

33 ~~(3) The aggregate amount of premiums agreed, upon execution~~
34 ~~of the contract, to be paid for policies of insurance included in the~~
35 ~~contract, excluding the amount of any insurance premium included~~
36 ~~in the finance charge.~~

37 ~~(4) The amount of the state fee for issuance of a certificate of~~
38 ~~compliance, noncompliance, exemption, or waiver pursuant to any~~
39 ~~applicable pollution control statute.~~

1 ~~(5) A subtotal representing the sum of the amounts described~~
2 ~~in paragraphs (1) to (4), inclusive.~~
3 ~~(6) The amount of the buyer's downpayment itemized to show~~
4 ~~the following:~~
5 ~~(A) The agreed value of the property being traded in.~~
6 ~~(B) The prior credit or lease balance, if any, owing on the~~
7 ~~property being traded in.~~
8 ~~(C) The net agreed value of the property being traded in, which~~
9 ~~is the difference between the amounts disclosed in subparagraphs~~
10 ~~(A) and (B). If the prior credit or lease balance of the property~~
11 ~~being traded in exceeds the agreed value of the property, a negative~~
12 ~~number shall be stated.~~
13 ~~(D) The amount of any portion of the downpayment to be~~
14 ~~deferred until not later than the due date of the second regularly~~
15 ~~scheduled installment under the contract and that is not subject to~~
16 ~~a finance charge.~~
17 ~~(E) The amount of any manufacturer's rebate applied or to be~~
18 ~~applied to the downpayment.~~
19 ~~(F) The remaining amount paid or to be paid by the buyer as a~~
20 ~~downpayment.~~
21 ~~(G) The total downpayment. If the sum of subparagraphs (C)~~
22 ~~to (F), inclusive, is zero or more, that sum shall be stated as the~~
23 ~~total downpayment, and no amount shall be stated as the prior~~
24 ~~credit or lease balance under subparagraph (I) of paragraph (1). If~~
25 ~~the sum of subparagraphs (C) to (F), inclusive, is less than zero,~~
26 ~~then that sum, expressed as a positive number, shall be stated as~~
27 ~~the prior credit or lease balance under subparagraph (I) of~~
28 ~~paragraph (1), and zero shall be stated as the total downpayment.~~
29 ~~The disclosure required by this subparagraph shall be labeled "total~~
30 ~~downpayment" and shall contain a descriptor indicating that if the~~
31 ~~total downpayment is a negative number, a zero shall be disclosed~~
32 ~~as the total downpayment and a reference made that the remainder~~
33 ~~shall be included in the disclosure required pursuant to~~
34 ~~subparagraph (I) of paragraph (1).~~
35 ~~(7) The amount of any administrative finance charge, labeled~~
36 ~~"prepaid finance charge."~~
37 ~~(8) The difference between the amount described in paragraph~~
38 ~~(5) and the sum of the amounts described in paragraphs (6) and~~
39 ~~(7), labeled "amount financed."~~

1 ~~(b) No particular terminology is required to disclose the items~~
2 ~~set forth in subdivision (a) except as expressly provided in that~~
3 ~~subdivision.~~

4 ~~(c) If payment of all or a portion of the downpayment is to be~~
5 ~~deferred, the deferred payment shall be reflected in the payment~~
6 ~~schedule disclosed pursuant to Regulation Z.~~

7 ~~(d) If the downpayment includes property being traded in, the~~
8 ~~contract shall contain a brief description of that property.~~

9 ~~(e) The contract shall contain the names and addresses of all~~
10 ~~persons to whom the notice required pursuant to Section 2983.2~~
11 ~~and permitted pursuant to Sections 2983.5 and 2984 is to be sent.~~

12 ~~(f) (1) If the contract includes a finance charge determined on~~
13 ~~the precomputed basis, the contract shall identify the method of~~
14 ~~computing the unearned portion of the finance charge in the event~~
15 ~~of prepayment in full of the buyer's obligation and contain a~~
16 ~~statement of the amount or method of computation of any charge~~
17 ~~that may be deducted from the amount of any unearned finance~~
18 ~~charge in computing the amount that will be credited to the~~
19 ~~obligation or refunded to the buyer. The method of computing the~~
20 ~~unearned portion of the finance charge shall be sufficiently~~
21 ~~identified with a reference to the actuarial method if the~~
22 ~~computation will be under that method. The method of computing~~
23 ~~the unearned portion of the finance charge shall be sufficiently~~
24 ~~identified with a reference to the Rule of 78's, the sum of the digits,~~
25 ~~or the sum of the periodic time balances method in all other cases,~~
26 ~~and those references shall be deemed to be equivalent for disclosure~~
27 ~~purposes.~~

28 ~~(2) If the contract includes a finance charge that is determined~~
29 ~~on the simple-interest basis but provides for a minimum finance~~
30 ~~charge in the event of prepayment in full, the contract shall contain~~
31 ~~a statement of that fact and the amount of the minimum finance~~
32 ~~charge or its method of calculation.~~

33 ~~(g) (1) If the contract includes a finance charge that is~~
34 ~~determined on the precomputed basis and provides that the~~
35 ~~unearned portion of the finance charge to be refunded upon full~~
36 ~~prepayment of the contract is to be determined by a method other~~
37 ~~than actuarial, the contract shall contain a notice, in at least~~
38 ~~10-point boldface type if the contract is printed, reading as~~
39 ~~follows: "Notice to buyer: (1) Do not sign this agreement before~~
40 ~~you read it or if it contains any blank spaces to be filled in. (2)~~

1 You are entitled to a completely filled-in copy of this agreement.
2 (3) You can prepay the full amount due under this agreement at
3 any time and obtain a partial refund of the finance charge if it is
4 \$1 or more. Because of the way the amount of this refund will be
5 figured, the time when you prepay could increase the ultimate cost
6 of credit under this agreement. (4) If you default in the performance
7 of your obligations under this agreement, the vehicle may be
8 repossessed and you may be subject to suit and liability for the
9 unpaid indebtedness evidenced by this agreement.”

10 (2) If the contract includes a finance charge that is determined
11 on the precomputed basis and provides for the actuarial method
12 for computing the unearned portion of the finance charge upon
13 prepayment in full, the contract shall contain a notice, in at least
14 10-point boldface type if the contract is printed, reading as
15 follows: “Notice to buyer: (1) Do not sign this agreement before
16 you read it or if it contains any blank spaces to be filled in. (2)
17 You are entitled to a completely filled-in copy of this agreement.
18 (3) You can prepay the full amount due under this agreement at
19 any time and obtain a partial refund of the finance charge if it is
20 \$1 or more. (4) If you default in the performance of your
21 obligations under this agreement, the vehicle may be repossessed
22 and you may be subject to suit and liability for the unpaid
23 indebtedness evidenced by this agreement.”

24 (3) If the contract includes a finance charge that is determined
25 on the simple-interest basis, the contract shall contain a notice, in
26 at least 10-point boldface type if the contract is printed, reading
27 as follows: “Notice to buyer: (1) Do not sign this agreement
28 before you read it or if it contains any blank spaces to be filled in.
29 (2) You are entitled to a completely filled-in copy of this
30 agreement. (3) You can prepay the full amount due under this
31 agreement at any time. (4) If you default in the performance of
32 your obligations under this agreement, the vehicle may be
33 repossessed and you may be subject to suit and liability for the
34 unpaid indebtedness evidenced by this agreement.”

35 (h) The contract shall contain a notice in at least 8-point boldface
36 type, acknowledged by the buyer, that reads as follows:

37 “If you have a complaint concerning this sale, you should try to
38 resolve it with the seller.

39 Complaints concerning unfair or deceptive practices or methods
40 by the seller may be referred to the city attorney, the district

1 attorney, or an investigator for the Department of Motor Vehicles,
2 or any combination thereof.

3 After this contract is signed, the seller may not change the
4 financing or payment terms unless you agree in writing to the
5 change. You do not have to agree to any change, and it is an unfair
6 or deceptive practice for the seller to make a unilateral change.

7
8 _____
9
10 _____ Buyer's Signature²²

11
12 (i) (1) The contract shall contain an itemization of any insurance
13 included as part of the amount financed disclosed pursuant to
14 paragraph (3) of subdivision (a) and of any insurance included as
15 part of the finance charge. The itemization shall identify the type
16 of insurance coverage and the premium charged therefor, and, if
17 the insurance expires before the date of the last scheduled
18 installment included in the repayment schedule, the term of the
19 insurance shall be stated.

20 (2) If any charge for insurance, other than for credit life or
21 disability, is included in the contract balance and disbursement of
22 any part thereof is to be made more than one year after the date of
23 the conditional sale contract, any finance charge on the amount to
24 be disbursed after one year shall be computed from the month the
25 disbursement is to be made to the due date of the last installment
26 under the conditional sale contract.

27 (j) (1) Except for contracts in which the finance charge or a
28 portion of the finance charge is determined by the simple-interest
29 basis and the amount financed disclosed pursuant to paragraph (8)
30 of subdivision (a) is more than two thousand five hundred dollars
31 (\$2,500), the dollar amount of the disclosed finance charge may
32 not exceed the greater of:

33 (A) (i) One and one-half percent on so much of the unpaid
34 balance as does not exceed two hundred twenty-five dollars (\$225);
35 1 $\frac{1}{6}$ percent on so much of the unpaid balance in excess of two
36 hundred twenty-five dollars (\$225) as does not exceed nine hundred
37 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid
38 balance in excess of nine hundred dollars (\$900) as does not exceed
39 two thousand five hundred dollars (\$2,500).

1 (ii) ~~One percent of the entire unpaid balance; multiplied in either~~
2 ~~case by the number of months (computed on the basis of a full~~
3 ~~month for any fractional month period in excess of 15 days)~~
4 ~~elapsing between the date of the contract and the due date of the~~
5 ~~last installment.~~

6 ~~(B) If the finance charge is determined by the precomputed~~
7 ~~basis, twenty-five dollars (\$25).~~

8 ~~(C) If the finance charge or a portion thereof is determined by~~
9 ~~the simple-interest basis:~~

10 ~~(i) Twenty-five dollars (\$25) if the unpaid balance does not~~
11 ~~exceed one thousand dollars (\$1,000).~~

12 ~~(ii) Fifty dollars (\$50) if the unpaid balance exceeds one~~
13 ~~thousand dollars (\$1,000) but does not exceed two thousand dollars~~
14 ~~(\$2,000).~~

15 ~~(iii) Seventy-five dollars (\$75) if the unpaid balance exceeds~~
16 ~~two thousand dollars (\$2,000).~~

17 ~~(2) The holder of the contract shall not charge, collect, or receive~~
18 ~~a finance charge that exceeds the disclosed finance charge, except~~
19 ~~to the extent (A) caused by the holder's receipt of one or more~~
20 ~~payments under a contract that provides for determination of the~~
21 ~~finance charge or a portion thereof on the 365-day basis at a time~~
22 ~~or times other than as originally scheduled whether or not the~~
23 ~~parties enter into an agreement pursuant to Section 2982.3, (B)~~
24 ~~permitted by paragraph (2), (3), or (4) of subdivision (c) of Section~~
25 ~~226.17 of Regulation Z, or (C) permitted by subdivisions (a) and~~
26 ~~(c) of Section 2982.8.~~

27 ~~(3) If the finance charge or a portion thereof is determined by~~
28 ~~the simple-interest basis and the amount of the unpaid balance~~
29 ~~exceeds five thousand dollars (\$5,000), the holder of the contract~~
30 ~~may, in lieu of its right to a minimum finance charge under~~
31 ~~subparagraph (C) of paragraph (1), charge, receive, or collect on~~
32 ~~the date of the contract an administrative finance charge not to~~
33 ~~exceed seventy-five dollars (\$75), provided that the sum of the~~
34 ~~administrative finance charge and the portion of the finance charge~~
35 ~~determined by the simple-interest basis shall not exceed the~~
36 ~~maximum total finance charge permitted by subparagraph (A) of~~
37 ~~paragraph (1). Any administrative finance charge that is charged,~~
38 ~~received, or collected by a holder shall be deemed a finance charge~~
39 ~~earned on the date of the contract.~~

1 ~~(4) If a contract provides for unequal or irregular payments, or~~
2 ~~payments on other than a monthly basis, the maximum finance~~
3 ~~charge shall be at the effective rate provided for in paragraph (1);~~
4 ~~having due regard for the schedule of installments.~~

5 ~~(k) The contract may provide that for each installment in default~~
6 ~~for a period of not less than 10 days the buyer shall pay a~~
7 ~~delinquency charge in an amount not to exceed in the aggregate 5~~
8 ~~percent of the delinquent installment, which amount may be~~
9 ~~collected only once on any installment regardless of the period~~
10 ~~during which it remains in default. Payments timely received by~~
11 ~~the seller under an extension or deferral agreement may not be~~
12 ~~subject to a delinquency charge unless the charge is permitted by~~
13 ~~Section 2982.3. The contract may provide for reasonable collection~~
14 ~~costs and fees in the event of delinquency.~~

15 ~~(l) Notwithstanding any provision of a contract to the contrary,~~
16 ~~the buyer may pay at any time before maturity the entire~~
17 ~~indebtedness evidenced by the contract without penalty. In the~~
18 ~~event of prepayment in full:~~

19 ~~(1) If the finance charge was determined on the precomputed~~
20 ~~basis, the amount required to prepay the contract shall be the~~
21 ~~outstanding contract balance as of that date, provided, however,~~
22 ~~that the buyer shall be entitled to a refund credit in the amount of~~
23 ~~the unearned portion of the finance charge, except as provided in~~
24 ~~paragraphs (3) and (4). The amount of the unearned portion of the~~
25 ~~finance charge shall be at least as great a proportion of the finance~~
26 ~~charge, including any additional finance charge imposed pursuant~~
27 ~~to Section 2982.8 or other additional charge imposed because the~~
28 ~~contract has been extended, deferred, or refinanced, as the sum of~~
29 ~~the periodic monthly time balances payable more than 15 days~~
30 ~~after the date of prepayment bears to the sum of all the periodic~~
31 ~~monthly time balances under the schedule of installments in the~~
32 ~~contract or, if the contract has been extended, deferred, or~~
33 ~~refinanced, as so extended, deferred, or refinanced. If the amount~~
34 ~~of the refund credit is less than one dollar (\$1), no refund credit~~
35 ~~need be made by the holder. Any refund credit may be made in~~
36 ~~cash or credited to the outstanding obligations of the buyer under~~
37 ~~the contract.~~

38 ~~(2) If the finance charge or a portion of the finance charge was~~
39 ~~determined on the simple interest basis, the amount required to~~
40 ~~prepay the contract shall be the outstanding contract balance as of~~

1 that date, including any earned finance charges that are unpaid as
2 of that date and, if applicable, the amount provided in paragraph
3 (3), and provided further that in cases where a finance charge is
4 determined on the 360-day basis, the payments received under the
5 contract shall be assumed to have been received on their respective
6 due dates regardless of the actual dates on which the payments
7 were received.

8 (3) If the minimum finance charge provided by subparagraph
9 (B) or subparagraph (C) of paragraph (1) of subdivision (j), if
10 either is applicable, is greater than the earned finance charge as of
11 the date of prepayment, the holder shall be additionally entitled to
12 the difference.

13 (4) This subdivision shall not impair the right of the seller or
14 the seller's assignee to receive delinquency charges on delinquent
15 installments and reasonable costs and fees as provided in
16 subdivision (k) or extension or deferral agreement charges as
17 provided in Section 2982.3.

18 (5) Notwithstanding any provision of a contract to the contrary,
19 if the indebtedness created by any contract is satisfied prior to its
20 maturity through surrender of the motor vehicle, repossession of
21 the motor vehicle, redemption of the motor vehicle after
22 repossession, or any judgment, the outstanding obligation of the
23 buyer shall be determined as provided in paragraph (1) or (2).
24 Notwithstanding, the buyer's outstanding obligation shall be
25 computed by the holder as of the date the holder recovers the value
26 of the motor vehicle through disposition thereof or judgment is
27 entered or, if the holder elects to keep the motor vehicle in
28 satisfaction of the buyer's indebtedness, as of the date the holder
29 takes possession of the motor vehicle.

30 (m) The contract shall not require the buyer to make payments
31 to the seller in person. For purposes of this subdivision, "payments"
32 does not include the downpayment.

33 (n) Notwithstanding any other provision of this chapter to the
34 contrary, any information required to be disclosed in a conditional
35 sale contract under this chapter may be disclosed in any manner,
36 method, or terminology required or permitted under Regulation
37 Z, as in effect at the time that disclosure is made, except that
38 permitted by paragraph (2) of subdivision (c) of Section 226.18
39 of Regulation Z, if all of the requirements and limitations set forth
40 in subdivision (a) are satisfied. This chapter does not prohibit the

1 disclosure in that contract of additional information required or
2 permitted under Regulation Z, as in effect at the time that disclosure
3 is made.

4 (o) If the seller imposes a charge for document processing or
5 to electronically register or transfer the vehicle, the contract shall
6 contain a disclosure that the charge is not a governmental fee.

7 (p) A seller shall not impose an application fee for a transaction
8 governed by this chapter.

9 (q) The seller or holder may charge and collect a fee not to
10 exceed fifteen dollars (\$15) for the return by a depository institution
11 of a dishonored check, negotiated order of withdrawal, or share
12 draft issued in connection with the contract if the contract so
13 provides or if the contract contains a generalized statement that
14 the buyer may be liable for collection costs incurred in connection
15 with the contract.

16 (r) The contract shall disclose on its face, by printing the word
17 “new” or “used” within a box outlined in red, that is not smaller
18 than one-half inch high and one-half inch wide, whether the vehicle
19 is sold as a new vehicle, as defined in Section 430 of the Vehicle
20 Code, or as a used vehicle, as defined in Section 665 of the Vehicle
21 Code.

22 (s) The contract shall contain a notice with a heading in at least
23 12-point bold type and the text in at least 10-point bold type,
24 circumscribed by a line, immediately above the contract signature
25 line, that reads as follows:

26
27 - ——— THERE IS NO COOLING-OFF PERIOD UNLESS YOU
28 ——— OBTAIN A CONTRACT CANCELLATION OPTION.

29
30 —California law does not provide for a “cooling-off” or other cancellation
31 period for vehicle sales. Therefore, you cannot later cancel this contract
32 simply because you change your mind, decide the vehicle costs too much,
33 or wish you had acquired a different vehicle. After you sign below, you
34 may only cancel this contract with the agreement of the seller or for legal
35 cause, such as fraud.

36 —However, California law does require a seller to offer a 2-day contract
37 cancellation option on used vehicles with a purchase price of less than
38 \$40,000, subject to certain statutory conditions. This contract cancellation
39 option requirement does not apply to the sale of a recreational vehicle, a
40 motorcycle, or an off-highway motor vehicle subject to identification

1 under California law. See the vehicle contract cancellation option
2 agreement for details.

3
4
5 (t) This section shall become operative on July 1, 2012.

6 SEC. 4. Section 2983.35 is added to the Civil Code, to read:

7 2983.35. (a) After a sale of a vehicle under this chapter, a
8 seller shall not do any of the following:

9 (1) Call the buyer's references.

10 (2) Track the vehicle with Global Positioning System
11 technology.

12 (3) Disable the vehicle by using ignition override technology.

13 (b) A violation of this section is punishable pursuant to Section
14 2983.6.

15 SEC. 5. No reimbursement is required by this act pursuant to
16 Section 6 of Article XIII B of the California Constitution because
17 the only costs that may be incurred by a local agency or school
18 district will be incurred because this act creates a new crime or
19 infraction, eliminates a crime or infraction, or changes the penalty
20 for a crime or infraction, within the meaning of Section 17556 of
21 the Government Code, or changes the definition of a crime within
22 the meaning of Section 6 of Article XIII B of the California
23 Constitution.